

# Report

**To:** CIPFA LASAAC Local Authority Accounting Code Board

**From:** Hazel Watton, Technical Manager  
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**Date:** 13 June 2024

**Subject:** Strategic Work Plan Update

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## Purpose

**The purpose of this report is to consider CIPFA LASAAC's strategic work plan.**

### 1. Introduction

- 1.1 CIPFA/LASAAC historically has a longstanding commitment to ensuring high-quality financial reporting in local authority financial statements. The Code's development focused on UK-adopted International Financial Reporting Standards (IFRS) adapted for the public sector and the UK local government reporting environment.
- 1.2 In response to a growing number of outstanding audited accounts in England, the Minister for Local Government issued a Cross-System Statement to Parliament in July 2023. This statement outlined proposals to address the backlog. System partners have been collaborating to agree on measures to clear outstanding audits and prevent future delays. CIPFA LASAAC faced new challenges in balancing backlog reduction with maintaining high-quality reporting, given the need for swift action.
- 1.3 The recent general election announcement has temporarily limited system partners' actions until a new parliament is formed. Details of the election's impact on short-term measures are covered in a separate report (CL 09 06 24).
- 1.4 CIPFA LASAAC's work on long-term improvements outlined in the strategic plan can continue regardless of any potential government change. This ensures that high-quality reporting remains a priority, and all improvements are thoroughly considered. Many of these improvements may also alleviate current pressures on auditors and preparers. Once a new parliament is formed, additional cross-system work may need to be integrated into future plans.
- 1.5 Even changes to the Code that benefit account presentation and reporting efficiency could initially increase workload for local authority finance teams and auditors. Therefore, the Secretariat recommends balancing the timing of proposed changes with their benefits and potential resource burden in the updated strategic work plan.
- 1.6 The updated strategic plan differentiates between regular Code production activities and specific improvement projects. Items highlighted in purple are discussed elsewhere on the

agenda. The plan also acknowledges the Better Reporting Group as the primary driver for generating innovative improvement ideas. This report will address the development program for other items within the updated strategic work plan.

**Table 1: Summary of Strategic Work Plan Items**

Regular Code Production Projects	Brief Description Including Timing
Horizon Scanning	<p>This work will principally be carried out by the <b>Accounting and Financial Reporting Forum (AFRF)</b>, but <b>CIPFA LASAAC</b> will also review at each meeting, see report CL 15 06 24.</p> <p>CIPFA Secretariat also attends relevant auditor meetings to try and pre-empt issues arising. <b>(Regular meetings with audit bodies).</b></p> <p><i>Project Lead: Steven Cain</i></p> <p><i>Timing: As necessary and for most meetings.</i></p>
Annual Update of the Code	<p>Secretariat proposes to amend the normal Code production cycle for 2025/26, see report CL 10 06 24.</p> <p><i>Project Leads: Ben Matthews and Steven Cain</i></p> <p><i>Timing: Publish the Code by 1 May 2025.</i></p>
Implementation of IFRS 17 Insurance Contracts	<p>Substantially complete, and implementation of IFRS 17 will be included in the 2025/26 Code.</p> <p><i>Project Lead: Steven Cain</i></p> <p><i>Timing: Implementation in the 2025/26 Code.</i></p>

Improvement Projects	Brief Description Including Timing
Better Reporting	<p>This work is currently being carried out by the Better Reporting Group:</p> <ul style="list-style-type: none"> <li>A. IFRS 16 Leases disclosures <b>completed</b>.</li> <li>B. Presentation of statutory items/adjustments <b>commenced March 2024</b>.</li> <li>C. Group Accounts <b>timing TBC</b>.</li> <li>D. Sustainability Reporting <b>timing TBC</b>.</li> <li>E. Redmond Review <b>timing TBC</b>.</li> <li>F. Materiality <b>timing TBC</b>.</li> </ul> <p><i>Project Lead: Alan Bermingham</i></p> <p><i>Timing: As per Bullets above.</i></p>
HMT Thematic Review of Non-investment Asset Valuation for Financial Reporting Purposes	<p>One of the short-term proposals to reduce the local audit backlog was to use indexation to produce valuations. This would be a simplified version of the proposal put forward by HMT as a result of the thematic review. CIPFA LASAAC felt this would enable the Code to implement the changes from the thematic review at the same time as the FReM in 2025-26.</p> <p><i>Project Lead: Ben Matthews</i></p>

	<i>Timing: Include within the 2025/26 Code consultation.</i>
Reducing the burden of LGPS Pension reporting	<p>Another short-term proposal to reduce the local audit backlog was to reduce pensions disclosures in line with FRS 102 requirements. CIPFA LASAAC felt that a longer-term solution reducing the burden on preparers and auditors should also be explored.</p> <p><i>Project Lead: Steven Cain</i></p> <p><i>Timing: Include within the 2025/26 Code consultation.</i></p>
Infrastructure Assets Long-Term Solution	<p>Included within the cross-system solution to the local authority audit issue. Proposal to extend override to 2027/28 as part of recovery phase, whilst work is undertaken on a practical long-term solution as part of the reform phase.</p> <p><i>Project Lead: Hazel Watton</i></p> <p><i>Timing: Include extending the override to 2027/28 within the 2025/26 Code consultation.</i></p>
Review of Structure and Format of the Code	<p>Review of structure and format of the Code to align with needs of users and CIPFA's new electronic platform.</p> <p><i>Project Lead: David Lyford-Tilley</i></p> <p><i>Timing: TBC</i></p>

**CIPFA LASAAC Members are invited to consider the summary of its strategic work plan and whether it would wish to update it in any way.**

## 2. Better Reporting

- 2.1 The Better Reporting Group (BRG) has been relaunched, with its first meeting held on March 28, 2024. Further meetings are scheduled throughout the year. The BRG proposes to operate under revised Terms of Reference, establishing it as a group reporting directly to CIPFA LASAAC. These revised Terms of Reference are presented for approval in Item CL 07 06 24.
- 2.2 As part of the effectiveness review (CL 07 04 24 Annex C), the Secretariat recommended assigning the following projects from CIPFA LASAAC's strategic work plan to the BRG:
- **Narrative Reporting (Performance Reporting and Summary Financial Information):** An initial proposal was included in the 2024/25 Code consultation. Implementation was deferred to allow for further refinement.
  - **Sustainability Reporting:** This project will explore the impact of international changes to sustainability reporting frameworks on the Code.
  - **Materiality:** Following the March 2023 board meeting, a project on materiality was added to the strategic work plan. This project will encompass a review of the Code's materiality provisions and provide support to other local audit system initiatives on materiality.
- 2.3 The BRG's current high-level work plan is therefore the following projects:
1. Presentation of statutory items/adjustments (commenced March 2024)
  2. Group Accounts
  3. Sustainability Reporting
  4. Redmond Review
  5. Materiality

**CIPFA LASAAC is requested to confirm its approval of the BRG's proposed work plan and to suggest priorities for these projects.**

### **3. HMT Thematic Review of Non-investment Asset Valuation for Financial Reporting Purposes**

- 3.1 HM Treasury are proposing from 2025/26 to limit the processes entities can use when revaluing their assets to:
1. A quinquennial revaluation supplemented by annual indexation in intervening years.
  2. A rolling programme of revaluations over a 5-year cycle, with annual indexation applied to assets during the four intervening years.
  3. For non-property assets only, to utilise appropriate indices.
- 3.2 The Secretariat has explored the use of indices with the Valuation Office Agency (VOA) to update local authority asset valuations. While the Building Cost Information Service (BCIS) Index is well-suited for assets valued using the Depreciated Replacement Cost (DRC) method, there's currently a lack of reliable, evidence-based indices for assets valued using other methods like Existing Use Value (EUUV).
- 3.3 The lead time for mainstream Code amendments is generally longer than for FReM amendments because of the required Code consultation process. This can mean that changes are made in earlier editions of the FReM than the corresponding Code changes. However, the aim is to implement the HMT Thematic Review related measures in the Code for 2025/26, the same year as the FReM. See report CL 10 06 24 for further details.

### **4. Reducing the burden of LGPS Pension reporting**

- 4.1 Pension reporting has been identified by some as a disproportionate burden on preparers and auditors. The fact that the information is already reported in multi-authority pension fund accounts may make some of the entity level information in the authority's accounts of relatively little use. CIPFA LASAAC agreed and decided to revisit pensions reporting under IAS 19..
- 4.2 Work on this was initially progressed by the CIPFA LASAAC sub-group on Non-Investment Assets and Pensions. The majority view of that group was that it would not be possible to develop changes to the recognition or measurement requirements of IAS 19, but that reductions in IAS 19 disclosure requirements may be possible. However, this view was not unanimous, and at the CIPFA LASAAC November 2023 meeting, an additional paper was also presented on behalf of those members who did not agree. That paper suggested that the proposed approach would not realise significant benefits, and that a more radical approach could be developed based on available options within IAS 19 to use defined contribution accounting for defined benefit schemes, and having regard to the needs of users.
- 4.3 CIPFA LASAAC reviewed the submissions at its November meeting and directed the Secretariat to carry out further work in line with the minority view paper. The Secretariat agreed to progress this, but would note that proposals to temporarily extend the use of defined contribution accounting had already been taken to FRAB in relation to NHS and other entities with staff in LGPS schemes and were rejected by the FRAB. The FRAB Chair indicated that it might be possible for more radical and permanent revisions to entity level pensions reporting to be developed, but this would need to be principles based, and supported by all of the relevant authorities within the UK public sector.
- 4.4 A further paper was taken to the March FRAB meeting in relation to NHS entities with staff in LGPS schemes and this was also rejected by the FRAB. Both of the papers relating to NHS staff were well argued, perhaps more well argued than the papers previously presented to CIPFA LASAAC. Against this background, the Secretariat will be preparing a paper for discussion, and agreement will need to be sought from representatives of each of the relevant authorities.

4.5 CIPFA LASAAC was given a readout on these matters in previous meetings and directed that the paper should be presented in the first instance to CIPFA LASAAC. Work on this has not yet been completed due to resources being diverted to the developing position in relation to the short-term measures.

## 5. Review of Structure and Format of the Code

5.1 A crucial aspect of the Code's future development is a review of its format and structure. The 2024/25 Code Consultation included questions for stakeholders on these key areas:

- **Accessibility:** A majority found the current Code cumbersome and requested a search function.
- **IFRS Content Approach:** Most respondents preferred the current detailed explanations of IFRS implementation within the Code.
- **Adaptations and Interpretations:** Many felt the Code clearly presented adaptations and interpretations relevant to UK local government application.
- **Structure:** All respondents agreed on the need for shorter, focused chapters.
- **Statutory Accounting Provisions:** Most agreed to consolidate specifications for statutory adjustments with cross-references in relevant chapters. An alternative suggestion was keeping them in current chapters with a summarizing table in the MIRS chapter.

5.2 The Secretariat proposes two options for addressing the Code's format and structure:

1. **Delayed Review:** Postpone revising the Code's structure and format until completion of improvement projects within the strategic plan.
2. **Comprehensive Review:** Conduct a complete review alongside a comprehensive restructuring. This approach, however, is time-consuming and resource-intensive, diverting resources away from improvement efforts.

**CIPFA LASAAC members are invited to consider the most suitable approach and timeline for revising the Code format.**

## Recommendations

**CIPFA LASAAC Members are invited to consider the report and whether there are any additional issues/topics it considers should be included in the strategic work plan.**